

My Ref: 07.032

14 February 2007

Denise Turnbull
Mining Registrar
Titles Maintenance Unit
Titles Administration Division
Department of Primary Industry, Fisheries and Mines
Centrepoint Towers
The Mall
DARWIN NT 0800

Department of Primary Industry
Fisheries and Mines

14 FEB 2007

Dear Denise,

Received: Titles Division
Minerals & Energy Group

EXPLORATION LICENCE 9926
ASHTON MINING LIMITED

The fourth anniversary of the subject licence occurred on 20 January 2007 and the Annual Report for Year 4 was lodged by e-mail with the Geoscience Library on 13 February 2007.

This licence is included in an Exploration Agreement between Ashton Mining Limited (and others) and Diamond Mines Australia Pty Ltd. This Agreement has been registered with the Department.

Expenditure for Year 4 for this licence amounted to \$5,420.00 as against a covenant of \$25,000.00. The reason for this shortfall in expenditure is as follows:-

- During Year 3 of tenure on EL 9926, aerial photography was acquired and geological reconnaissance was carried out as part of the program of follow up around the new discovery at Abner Range, some 25km northeast of EL 9926. Planned airborne geophysical surveys in Year 3 were rescheduled to Year 4 due to the unavailability of appropriate systems.
- The planned airborne geophysical survey covering EL 9926, to be carried out during the 2006 field season, was thwarted by the late end to the wet season caused by Cyclone Monica, and other priorities on the Abner Range discovery. The planned airborne geophysical survey, plus follow up of any resulting targets, is now planned for the 2007 field season.

2.

- As stated, work during the shortened field season has been concentrated on the Abner Range kimberlite discovery. Work carried out at Abner Range included access track reconstruction, heavy mineral sampling of the North Valley area, ground gravity survey in the North Valley area, EM34 surveys of the ABN021 kimberlite pipe, EM34 surveys of the North Valley ground gravity grid area, detailed soil geochemical sampling of the ABN022 target area, reassessment of diamond potential of RC and Diamond drilling of ABN021 kimberlite, commencement of tenement wide HoistEM survey and the commencement of bulk sampling program of ABN021 kimberlite pipe.

In accordance with section 172 of the Mining Act, application is made for a variation of the expenditure covenant for Year 4 of EL 9926. The required variation fee of \$50.00 is enclosed.

Yours sincerely,



ROSS MCCOLL
FOR AND ON BEHALF OF
ASHTON MINING LIMITED AND
DIAMOND MINES AUSTRALIA PTY LTD